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SUBJECT: ZAGREB ACTIVITY REPORT - JULY 25

1. (U) ONE MORE CHAPTER CLOSED, ONE MORE OPENED IN EU ACCESSION TALKS:

At its first negotiating session under the French EU Presidency in Brussels, on July 25, Croatia will close the negotiating chapter on Enterprise and Industrial Policy, and open negotiations on the Free Movement of Goods chapter. This means Croatia has opened 21, and closed three, out of a total of 35 negotiating chapters. Croatia had gone nineteen months, since December 2006, without closing a single negotiating chapter. Some weeks ago Croatian negotiators had ambitiously forecast that the first session with the French Presidency could see as many as five new chapters opened. They now say that the EU Council was unable to get agreement from all 27 Member States quickly enough to achieve that, but that they still aspire to opening all remaining substantive negotiating chapters by the end of 2008.

2. (SBU) CROATIAN HIJACKER DEPORTED TO CROATIA:

Zvonko Basic, who in 1976 led a team of Croatians that hijacked a TWA airliner and planted a bomb in a train station that killed a New York policeman, arrived in Zagreb the evening of July 24. Basic, who was paroled after serving more than thirty years of a life sentence on the condition that he depart the U.S. and never return, was escorted on his commercial flight from the U.S. by three ICE agents. Croatian police cooperated in arranging a hand-off away from the press at the airport. Basic was greeted at the airport by his U.S. citizen wife, as well as some 300 to 500 well-wishers and media, but no representatives of the government. When some of the welcoming party began singing Ustasha songs and slogans, Basic quickly silenced them, saying he wanted none of that. Croatian police did fingerprint him on arrival, given his status as a released felon, but we understand he will be allowed to live in his hometown Dalmatia without restrictions.

3. (U) CROATIAN OFFICIALS WELCOME KARADZIC ARREST:

President Mesic, Deputy PM Kosor and a range of opposition politicians all made statements welcoming Radovan Karadzic's arrest in Belgrade this week. Statements generally included three other points: it should have happened years ago, it was a strong sign of the new Serbian government's interest in moving toward EU accession, and Serbia's ICTY cooperation will only be complete when there is similar action on the two remaining fugitives Ratko Mladic and Goran Hadzic, the latter indicted for crimes committed in Croatia.

4. (U) CROATIAN INTEREST IN U.S.-SEE TRADE AND INVESTMENT CONFERENCE STRONG AND GROWING:

U.S. Special Representative for Commercial and Business Affairs Frank Mermoud visited Zagreb July 22-23. He met with State Secretary Tamara Obradovic Mazal at the Ministry of Economy, Assistant Minister of Tourism Robert Pende, Vice President of the Croatian Chamber of Economy Dunja Konjevod, and several leaders of the business community. At all of the meetings, the Croatian representatives confirmed their interest in the U.S.-South East Europe Trade and Investment Conference scheduled for October in Vienna. More broadly, they expressed their interest in continuing and expanding the U.S.-Croatian business relationships. In the areas of tourism and energy in particular, the ministry and business

representatives outlined Croatia's plans and suggested possible opportunities for U.S. business and investment opportunities. (SLitke)

15. (U) CROATIAN CITIES LAGGING IN BUSINESS REFORMS:

In mid-July, the World Bank released its report "Doing Business in South East Europe 2008," which compares 22 cities in regard to four "Doing Business" topics: starting a business, dealing with licenses, registering a property, and enforcing contracts. Croatia ranked among the top-10 reformers worldwide in "Doing Business 2008," issued in September 2007. The new World Bank report, however, finds Croatian cities lag behind others in the region in regard to ease of doing business. The top Croatian city, Osijek, ranked 7th, while Zagreb ranked 19th overall. The study found wide variations within the region and within Croatia. For example, to get a construction license, Osijek is most efficient in the region with 13 procedures, and Zagreb is most burdensome with 24 procedures. Zagreb leads the region in two metrics considered in the report: the number of procedures required for registering property is lowest in Zagreb (5 procedures), as is the average cost of enforcing a contract (14% of the claim, compared to a regional average of 30%). Despite requiring the fewest procedures, however, Zagreb ranked near the bottom regarding how many days it takes (170) and how much it costs (5% of property value) to register property. (SLitke)

16. (U) DONATION SUPPORTS FIGHT AGAINST ORGANIZED CRIME:

On July 22, ICITAP and Embassy Zagreb donated 14 laptop computers and one flat-screen monitor to Croatia's Office for Combating Organized Crime and Corruption (USKOK). The laptop computers will be assigned to each of the organized crime prosecutors in USKOK, a special national unit within the Office of the Croatian Attorney General. These prosecutors handle all cases involving organized crime including human trafficking, narcotics trafficking, money

ZAGREB 00000556 002 OF 002

laundering, and official corruption. They are required to travel to courts and police stations throughout the Republic to conduct interviews, review evidence, and prosecute high-profile defendants. The donation will make it possible for each prosecutor to accomplish his or her extremely vital jobs. The flat screen monitor will be utilized for reviewing evidence and video conferencing. (CZimmer)

17. (U) WWII JASENOVAC CONCENTRATION CAMP COMMANDER DIES:

Dinko Sakic, the last known living commander of a World War II concentration camp, died in a Zagreb hospital the evening of July 21, while serving a prison sentence for war crimes. Sakic had been convicted and sentenced to twenty-years, the maximum available sentence, by a Zagreb court in 1999, after being extradited from Argentina. His body, reportedly dressed in a Ustasha uniform, was cremated at Zagreb's main cemetery on July 24, and a service attended by some 300 mourners was held. State prosecutors told the media that as the Ustasha uniform had been seen only in private, there were no charges that could be pressed.

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